AGENDA
President and Board of Trustees
Village of Arlington Heights
Committee-of-the-Whole
Board Room
33 S. Arlington Heights Rd., Arlington Heights, IL 60005
November 16, 2016
7:00 PM

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. ROLL CALL OF MEMBERS

IV. NEW BUSINESS

A. Staff Follow-up from Previous Meeting

B. Boards and Commissions

C. Performing Arts at Metropolis Theater Budget Review

D. Review of Department Budgets:

- Health Services / Senior Services
- Engineering
- Public Works
- Fire

E. Final Recommendation of Committee-of-the-Whole to Board of Trustees for the 2016 Property Tax Levy payable in 2017

F. Final Recommendation of Committee-of-the Whole to Board of Trustees for the 2017 Budget

V. OTHER BUSINESS

VI. ADJOURNMENT

Persons with disabilities requiring auxiliary aids or services, such as an American Sign Language interpreter or written materials in accessible formats, should contact David Robb, Disability Services Coordinator, at 33 S. Arlington Heights Road, Arlington Heights, Illinois 60005, (847)368-5793 (Voice), (847)368-5980 (Fax) or drobb@vah.com.

Item: Staff Follow-up from Previous Meeting

Department: Finance

Staff Follow-up from Previous Meeting

ATTACHMENTS:

Description	**Type**
Follow-up	Memorandum

I N T E R

O F F I C E

MEMO

To: Randy Recklaus, Village Manager
From: Tom Kuehne, Finance Director/Treasurer
Date: November 16, 2016
Subject: **BUDGET FOLLOW-UPS FROM NOVEMBER 14, 2016 COW MEETING**

There were a number of questions and requests at the 2017 Budget Review COW Meeting held on November 14, 2016 that required additional follow-up.

1. **R:** Please include the PowerPoint presentation for the Proposed 2017 Budget on the Village's website.

   A: The PowerPoint was loaded onto the Village's website on Tuesday November 15th.

2. **Q:** Could staff ask the Northwest Municipal Conference to send out a survey on municipal reserve amounts?

   A: In September 2016 the NWMC completed a Fund Balance Policy Survey at the request of the Village of Lake Zurich (**Attachment A**). The survey reflects the following results from the 25 respondents:

   Minimum General Fund Balance Policies:

Min. Fund Balance %	Number of Communities	% of Respondents
20% or less	2	8%
25%	9	36%
25% - 40%	8	32%
50% - 100%	6	24%
Total	25	100%

   The Village of Arlington Heights' minimum General Fund reserve policy is 25% of annual operating expenditures. This is shown on page 21 of the proposed 2017 Budget under the section titled "Village's Financial Performance Goals". Maintaining adequate reserves is an important factor that bond rating agencies consider which helps the Village receive lower bond interest charges associated with our high AA+ rating. Access to reserves also provides a source of funds for extraordinary storm and other damages, and provides a buffer during economic downturns. Having adequate reserves would also allow the Village the time needed to digest and plan around potential actions by the State that may have an adverse effect on the Village's finances. This is even more important to

Arlington Heights due to our reliance on sales and income tax receipts which are subject to economic cycles.

3. **Q:** Please explain the year to year differences in the ACA fees shown in the Health Insurance Fund on page 356 of the budget?

   A: The ACA Fees account is comprised of a couple fees. The Patient Center Outcomes Research Institute Fee (PCORI), which costs approximately $2,300 per year, is a fee to fund research to help determine which treatments work best when applied to actual patient outcomes. The other fee is the Transitional Reinsurance Fee. This is a higher cost fee but is charged for only three years, starting December 2014. This is a flat tax on each covered member that decreases each year. The reinsurance program fee is designed to reimburse companies that insure high cost individuals within the individual health insurance market.

   The 2016 Budget of $95,000 was based on the prior year's actual fee amount before knowing that year's flat tax amount and member count. However, the Projected Actual for 2016 is only $2,300. The reason for this variance is that the Transitional Reinsurance Fee for 2016 is actually $17,280 due in December 2016, but the Village is due a credit of $44,000. This credit originated from the Village's payment of $94,185 in December 2014. At that time, our Insurance Broker provided the incorrect amount of members used to calculate the fee. The amount of members included retirees over 65, which were not to be included in the calculation. The Federal government agreed to reimburse the Village in 2016, which is why the projected actual only represents the amount for the PCORI Fee.

4. **Q:** Could Staff provide some additional information on the new Paymentus bill payment solution?

   A: **Attachment B** provides background information comparing the Paymentus bill payment costs to the Village's existing bill payment system. This shows a small estimated annual savings with the new Paymentus system, but more importantly it outlines the additional services that the Village will be able to offer our residents including mobile app capabilities, web payment options, and resident opt out of receiving paper bills.

   Staff would also like to correct the Finance Department's credit card payment performance measure numbers for 2015 shown on page 103. The total payments number shown in the performance measures was for the 8-month transitional year whereas the number of transactions and total fees were for calendar year 2015. **Attachment C** shows the corrected numbers which will be reflected in the final 2017 Budget document.

ATTACHMENT A

Fund Balance Policy Survey

Municipality	1. Does your municipality have a General Fund balance policy?	a. If so, at what level is your policy for the General Fund?	2. Does your municipality have a Water & Sewer Fund balance policy?	a. If so, at what level is your policy for the Water & Sewer Fund?	3. Does your municipality have a Capital Projects Fund balance policy?	a. If so, at what level is your policy for the Capital Projects Fund?	4. Does your municipality have a fund balance policy for any other Funds?
Antioch	Yes.	25% of expenditures.	Yes.	25% of operating expenses.	No.		No.
Arlington Heights	Yes	25% of expenditures.	Yes.	25% working cash of expenses.	Yes.	Around 20-25% of expenditures.	20% of expenditures - General Liability, Workers Comp, and Health Insurance internal service funds.
Bannockburn	Yes.	Bannockburn sets 1-year of operations (including debt svc) for all funds as the target, with the formal policy 1-year operations covering Governmental Funds (excluding enterprise funds). Based on preceding fiscal year actual operations. Copy attached. 100%	No.	Not formally.	No.		No. Our General Fund serves as the "bank" for multiple funds and we annual transfer subsidy $$ that are not intended to ever be repaid
Barrington	Yes.	4 months of operating expenditures in the Unassigned Fund Balance. 33%	Yes.	3 months of operating expenses in the Unrestricted Net Position.	Yes.	Only applies to part of Fund Balance, 50% of operating equipment replacement costs.	Most Funds have some sort of fund balance/net position policy, see attached pages 36 & 37.
Bartlett	Yes. 25% - 35% + avg. increase	25-35% of expenditures plus avg. annual increase in corporate property tax levy, plus avg. annual current liability at fiscal year-end, plus cumulative balance in storm water and centennial 2076 account, plus any assignment of fund balance for specific projects as approved by the Village Board.	Yes.	25-35% of expenses, plus balance of capital improvement funding, balance of equipment replacement reserves equal to the cumulative total of annual reserve contributions less cost of replacements, and any designation of working cash for specific reserves as approved by the Village Board.	Yes.	Maintain a 5 year capital budget and update annually, incorporate the corresponding year into the annual operating budget, evaluate to prioritize maintenance and replacement, and evaluate impact of each project on current and future operating budgets.	Yes. We have policies for the Golf Fund, Parking Fund, Central Service Fund, Vehicle Replacement Fund, Debt Service Fund, and Police Pension Fund.
Carpentersville	Yes	20% of Annual operating expenditure.	Yes.	30% of Annual operating expenditure including Debt Service payment.	No.		Yes, maintain a minimum restricted fund balance in the Motor Fuel Tax Fund equal to 50% of annual MFT allotments.
Deer Park	Yes.	25% of the subsequent year's budget.	No.		No.		No.

Municipality	1. Does your municipality have a General Fund balance policy?	a. If so, at what level is your policy for the General Fund?	2. Does your municipality have a Water & Sewer Fund balance policy?	a. If so, at what level is your policy for the Water & Sewer Fund?	3. Does your municipality have a Capital Projects Fund balance policy?	a. If so, at what level is your policy for the Capital Projects Fund?	4. Does your municipality have a fund balance policy for any other Funds?
Des Plaines	Yes.	25% of annually budgeted expenditures	Yes.	20% of annually budgeted expenditures.	Yes.	20% of the five-year average for capital expenditures.	Yes, replacement funds and internal service funds
Elk Grove	Yes	The General Fund should maintain a minimum unassigned fund balance equal to four months of budgeted operating expenditures, excluding Police and Fire Pension Fund reporting requirements. 33%	Yes.	Fund balances shall be maintained at an amount which represents an average of four (4) months of operating expenditures. If the balances fall below the minimum, efforts to return to the minimum balance within a reasonable period of time shall be taken.	No.		N/A.
Grayslake	Yes.	25%	Yes.		Yes.		
Hanover Park	Yes.	25%	No.		No.		No.
Highland Park	Yes.	35% operating expenditures.	Yes.	Water Fund - 25% operating expenditures. Sewer Fund - 15% operating expenditures.	Yes.	0% operating expenditures.	Eqp. 50%, Parking 15%, Debt 15%, MMF 10%, E911 10%, Environ 10%, Insur 10%, HTF 10%, MFT 0%, Pens 0%, TIF 0%.
Hoffman Estates	Yes.	Unassigned fund balance within the General Fund of 25% of the preceding year's annual operating budget.	No.	No formal written policy, but we talk about a desire to have 25% fund balance level.	No.		No.
Kenilworth	Yes.	Between 55-70% of general fund expenditures.	Yes.	33-42% of expenditures.	Yes.	No balance limit established.	Yes, Special Revenue, Debt Service.
Lincolnshire	Yes.	Formal policy at start of each year 1/1 have 75% of coming year's General Operating Expenses on hand. Informal target at start of each year 1/1 have 100% of coming year's General Operating Expenses on hand.	No.	Informal target at start of each year 1/1 have 25% of coming year's General Operating Expenses on hand.	No.		No.
Lincolnwood	Yes.	25-35 percent of current year's revenue.	Yes.	30 percent of current year's expenses.	Yes.	Determined on an annual basis.	Same as #3.
Niles	Yes	Minimum unassigned fund balance of 25% of estimated annual expenditures.	No.		No.		Fitness Center Fund - revenue generated by the Fitness Center Fund is committed to covering the costs of its operations

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Fund Balance Policy Survey

Municipality	1. Does your municipality have a General Fund balance policy?	a. If so, at what level is your policy for the General Fund?	2. Does your municipality have a Water & Sewer Fund balance policy?	a. If so, at what level is your policy for the Water & Sewer Fund?	3. Does your municipality have a Capital Projects Fund balance policy?	a. If so, at what level is your policy for the Capital Projects Fund?	4. Does your municipality have a fund balance policy for any other Funds?
Northbrook	Yes.	40% of revenue.	No.		No.		
Park Ridge	Yes	25% The Target Fund Balance shall be equal to three months of budgeted operating expenditures.	Yes.	Target Fund Balance shall be equal to two months of budgeted operating expenditures, plus ab addition amount to cover emergency expenditures. For the Water Fund - \$570,000, for the Sewer Fund - \$300,000.	Yes.	See description in item 4.	Yes, for all Non-Enterprise Funds with the exception of the General Fund, the Target Fund Balance shall be zero.
Rolling Meadows	Yes.	15% - 30% Please see attached.	No.	In process.	No.	Yes	Yes. Please see attached the Refuse Fund.
Schaumburg	Yes	Unreserved fund balance should be maintained at 40% of subsequent year's budget for expenditures and other financing used.	Yes.	The cash and investment balance should be maintained at an amount equal to 10% of the subsequent year's budget for operating and non-operating expenses plus a prorated amount of the next year's interest and principal payments on outstanding debt. Additional equity can be reserved for future capital improvements as determined by the Village Board.	Yes	Fund balance for the capital project funds will be reviewed annually as part of the capital improvements program and annual budget process.	Yes for Motor Fuel Tax, Transit Program, Community Development Block Grant, Development Contribution, Debt Service, Commuter Parking, Regional Airport, Baseball Stadium, Risk Management, Internal Service, and Police & Firefighter Pension Funds.
Streamwood	Yes	25%-30% of estimated annual expenditures at a minimum.	Yes.	25% of estimated expenditures at a minimum.	Yes.	Street Improvement Fund - 25% of estimated annual expenditures at a minimum Equipment Replacement Fund and Facilities and Major Equipment Replacement Fund - 50% of total year replacement balance	
Vernon Hills	Yes	67% per the policy, but S & P has just recommended that we raise this to 75% based on our reliance on sales taxes.	No.	N/A.	No.	N/A.	Golf Course Enterprise Fund, TIF Fund, Motor Fuel Tax Fund.

A-3

Fund Balance Policy Survey

Municipality	1. Does your municipality have a General Fund balance policy?	a. If so, at what level is your policy for the General Fund?	2. Does your municipality have a Water & Sewer Fund balance policy?	a. If so, at what level is your policy for the Water & Sewer Fund?	3. Does your municipality have a Capital Projects Fund balance policy?	a. If so, at what level is your policy for the Capital Projects Fund?	4. Does your municipality have a fund balance policy for any other Funds?
Wheeling	Yes.	25%	Yes.	25%	No.		Yes, E-911 Fund (15%), Liability Insurance Fund (2 times estimated annual losses)
Winnetka	Yes.	50% 6 months operating expenditures.	Yes.	4 months operating expenses.	No.		Yes – generally speaking 4 months for most funds outside general fund.

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ATTACHMENT B

NEW PAYMENTUS BILL PAYMENT SOLUTION

The Village currently accepts credit card payments at the counter, online through the State of Illinois, and through Click 2 Gov. Credit card payment information can also be taken over the phone by a Water Billing Clerk during business hours and then entered manually into the system.

To provide more payment options for our residents and with the increasing costs of credit card charges, it would be a good turning point to consolidate our entire credit card paying services to one company that can improve and make payment options more convenient for our residents. The company that will facilitate our payment solutions will also provide E-Billing and various payment options through the internet (web), mobile app, IVR (phone), text and provide E-mail notifications.

In 2015, our credit card fees from the five Credit Card Processors the Village utilizes were $77,675. The fees were from a total of 27,281 transactions totaling $3,077,826 in sales. The annual charges averaged $2.85 per transaction or 2.53% of the credit card sales. The Village will be saving on fees by switching to a company that consolidates all the payment services. The yearly fee for credit card payments through one company will have a conservative savings of approximately $2,500 a year, with the total cost of fees totaling approximately $75,000. Along with the savings in fees, the Village will also be allowing more payment conveniences for our residents.

The Fees with Paymentus Corporation for our bill payment consolidation will be $1.85 per transaction for utility payments, $0.95 for Parking Tickets, Vehicle Stickers and Dog Tags, and 2.39% for Building Permits. This will include:

- E-Billing – residents can view their most recent bill activity and payment history at any time on the internet
- Payment options for one-time or recurring payments on the web
- IVR - 24-7 automated phone service using an English/Spanish Interface
- Mobile app interface capabilities
- SMS – text notifications
- Residents can receive an email bill reminder
- Residents can opt out of receiving paper bills

Paymentus is also a partner with our current utility billing software system. Implementing the Paymentus payment solution is a way for the Village to "offer more for less" by offering more ways for our residents to make secure payments without increasing the Village's cost of processing. Implementation should take 8-12 weeks.

CREDIT CARD FEES COMPARISON FOR CALENDAR YEAR 2015

CALENDAR YEAR 2015		All Categories Over the Counter PNC Merchant Services			Click 2 Gov Fines Automated Merchant Services Arl Hts Fines			Click 2 Gov Utility Web Automated Merchant Services Arl Hts Utility Web			E-Pay through the State of Illinois Website Vehicle Stickers and Dog Tags			3rd Party Trans Am Ex			3rd Party Trans Discover		
		Amount	#	Fees	Amount	#	Fees	Amount	#	Fees	Amount	#	Fees	Amount	#	Fees	Amount	#	Fees
Multiple Credit Card Companies	Yearly Total	$ 1,618,114	14,679	$ 41,482	$ 141,591	3,968	$ 3,691	$ 839,055	5,441	$ 22,254	$ 18,877	352	$ 483	$ 399,454	2,053	$ 8,645	$ 60,735	788	$ 1,120
Converted to Paymentus	Yearly Total	$ 1,618,114	14,679	$ 49,371	$ 141,591	3,968	$ 3,770	$ 839,055	5,441	$ 10,066	$ 18,877	352	$ 334	$ 399,454	2,053	$ 9,946	$ 60,735	788	$ 1,512

	Multiple Companies	Paymentus
Yearly Amount	$ 3,077,826	$ 3,077,826
Yearly Fees	**$ 77,675**	**$ 75,000**
Yearly #	27,281	27,281
% Fees/Dollar Amt	2.53%	2.44%
% Fees/Item Number	2.85	2.75

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ATTACHMENT C

Performance Measures (cont.)

	FY2013	2014	2015
2. Credit Card Payments			
# of transactions	21,133	17,692	27,281
Total payments	$2,865,977	$1,885,050	$3,077,826
Total fees	$45,778	$46,573	$77,765
Average fee %	1.60%	2.47%	2.53%
Average payment transaction amount	$135.62	$106.55	$112.82

3. Number of Vehicle Stickers Issued			
Passenger/Recreational/Trucks	51,086	50,825	50,538
Motorcycles	422	475	409
Total Vehicle Stickers	51,508	51,300	50,947

4. Water Billing Activity			
# of metered accounts	20,956	20,987	21,032
Water consumption billed (1,000 gallons)			
Residential	1,953,429	1,577,804	1,535,441
Commercial	824,700	670,075	426,966
Industrial	65,381	199,588	329,648
Apartments	29,916	27,117	40,220
Total Consumption Billed	2,873,426	2,474,584	2,332,275
Water/sewer revenues	$13,241,794	$12,918,079	$12,888,404

5. Cash and Investments			
Cash	$ 1,638,030	$ 4,509,711	$ 8,529,118
Investments	85,303,615	83,131,813	92,073,800
Total	$86,941,645	$87,641,524	$100,602,918
% of funds invested	98.1%	94.9%	91.5%

6. Purchasing			
# of purchase orders processed	997	903	984
# of field purchase orders	6,039	5,304	6356
$ amount of purchase orders processed	$17,637,880	$23,054,250	$17,804,473
$ amount of field purchase orders	1,574,740	1,617,934	1,894,024
Total amount of purchase order transactions	$19,212,620	$24,672,185	$19,698,497
# of formal bids/RFP's	42	54	43
$ amount of formal bids/RFP's	$8,066,143	$10,453,015	$11,489,360
% amount formal bids/RFP's	42%	47%	58%
$ amount saved by competitive bidding	$1,012,062	$2,069,774	$1,276,465

Item: Boards and Commissions

Department: Finance

ATTACHMENTS:

Description	Type
No Attachments Available	

Item: Performing Arts at Metropolis

Department: Finance

ATTACHMENTS:

Description	**Type**
No Attachments Available	

Item: Review of Department Budgets

Department: Finance

ATTACHMENTS:

Description	Type
Proposed Budget Presentations	Exhibits

2017 PROPOSED BUDGET

Wednesday, November 16, 2016

BOARDS AND COMMISSIONS

- New "Walk Arlington" Program – Bicycle Pedestrian Commission

- Other Commissions – Status Quo

METROPOLIS THEATER
(A, E & E FUND)

- $255,000 for the Village Operating Contribution
  $51,000 toward the Restricted Contribution Reserve

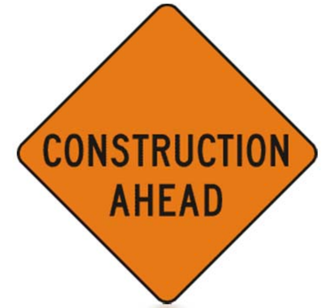
- Theater Net Income:
  - 8-Month Prior Period = $3,200
  - 2016 Projected = $1,247
  - 2017 Budgeted = $16,100

- Net Income helped reduce Theater's negative working cash to a projected ($71,312) as of 12/31/16. The Villages Restricted Contribution Reserve for the Theater will be $68,500 as of 12/31/16.

HEALTH & SENIOR SERVICES

- Incorporate 2013 US Food & Drug Administration Food code:
    - Implement New Software / I-Pads for Food Sanitation Inspectors
- New Groot Contract Working Well
- Smooth Transition for Meals on Wheels to Catholic Charities from Community Nutrition Network

ENGINEERING



- Adjustment of Road Program's Annual Bid Schedule to Accommodate Larger Size Program and Avoid Conflicts:
  - Annual program increased by $2.7 million over two years
  - Provide additional $75,000 in 2017 for consultant services needed during schedule change
- $35,000 Cartegraph Data Conversion needed to Implement New Engineering /Public Works Work Order/Management System
- Planning for Storm Water Control Improvements in 2018-2022 CIP (Engineering & Public Works)

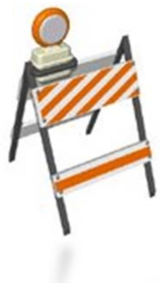
PUBLIC WORKS

- Realigned Expenditures to Accounts That More Properly Describe the Work

- Completion of the Seven-year $8 million Emerald Ash Borer (EAB) Parkway Tree Removal/Replacement Program During 2017

- Water System Infrastructure Improvements:
  - Multi-year plan to increase water main replacement program from $500,000 to $3 million per year
  - 2017 water main replacement budget = $1.5 million

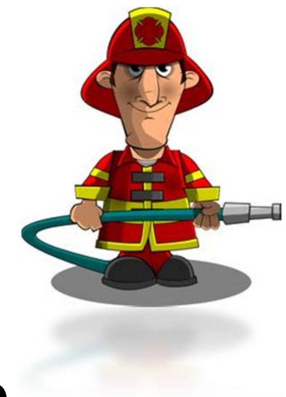
- Planning for Storm Water Control Improvements in 2018-2022 CIP (Engineering & Public Works)



PUBLIC WORKS

- Parking garage Rehabilitation Project
  - 2017 = $810,000 for the Vail Street Garage
- Paver Brick Enhancement & Increased Maintenance
  - 2017 = $395,000
- Implement New Work Order /Management System (Engineering & Public Works)
  - 2016 + $128,000 for software
  - 2017 = $0
  - 2018 = $60,000 for annual maintenance

FIRE



- Central Dispatch – JEMC Membership
- Re-attainment of ISO 1 Rating
- Integrated Mobile Health Care
- Improve Response Times
- Reduce Firefighter Injuries
- Improve Training Technology Infrastructure

Item: Final Recommendation Tax Levy

Department: Finance

ATTACHMENTS:

Description	**Type**
No Attachments Available	

Item: Final Recommendation 2017 Budget

Department: Finance

ATTACHMENTS:

Description	**Type**
No Attachments Available	